



Partners

in community and economic development

Federal Reserve Bank of Atlanta
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Communities in Transition

Many communities served by the Federal Reserve Bank of Atlanta reflect changing demographics due to immigration patterns during the 1990s. The 2000 Census statistics bear this out. Much has been written about this phenomenon, with cultural diversity being certain to continue as time goes on.

This issue of *Partners* discusses some of the changes stemming from immigration, with an emphasis on community development impacts in the Sixth Federal Reserve District. The Atlanta District, representing most of the southeastern U.S., has seen a 90% increase in the number of new Hispanics between 1990 and 2000. While other areas of the country have had higher numbers of immigrants in absolute terms, large changes in percentages still can have a dramatic impact on a community.

An important starting point is to understand a community's demographics. Fundamental to this understanding is the vital role that partnerships play in helping to address resultant critical needs such as affordable, safe, and decent housing. The alternative of homelessness or substandard housing will only cause greater problems in a community in both the short and long runs.

It goes without saying that the principles of promoting safe and decent affordable housing apply to all groups of low- and moderate-income persons. This issue of *Partners* features several examples of successes that community-based groups have had in Miami. Again, the key to successful community development is through productive partnerships.

Another article in this edition provides an example of a successful collaboration

between rural farmworkers and a local credit union, including a program that teaches sound credit principles to the children of workers and encourages them to begin saving money. As stated in the article, the key to economic empowerment is access to financial services and financial education to make wise choices.

An essential partner in any community development endeavor is a financial institution. We discuss how immigrants who do not have a social security number or other U.S.-issued identification often have difficulty in attaining any access to basic banking services.

For Mexican immigrants, the matricula consular is a form of ID issued by the Mexican government that is becoming more-widely accepted as valid identification in the U.S. in order to obtain a starter bank account. We feature an article that explains more about what the matricula consular is and isn't and why banks might choose to accept the cards as a valid form of ID in setting up an account.

With a bank account, a customer benefits from cost-savings compared with check cashers and wire services while, at the same time, a bank can benefit economically through growth of its customer base.

Finally, we feature an article on Georgia's recently enacted Anti-Predatory Lending Law. While the article doesn't relate specifically to immigrant populations, it is still a reflection on "communities in transition." The law represents the most restrictive piece of legislation concerning predatory lending in the country, and it could likely serve as a model for other states to follow.

The intent of the law is to create positive changes for consumers without presenting

undue harm on reputable lenders. The creators of the law do not envision any significant reduction in access to credit by low- and moderate-income families. But with laws and consumers in transition, only time will tell the full effects.

We hope you find these articles to be informative and thought-provoking. In 2003, we plan to re-vamp the format of the *Partners* newsletter to bring it more up-to-date. We're excited about the transitions ahead for this publication, and as always, we welcome your feedback. ♦

- Editor

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Changing Demographics in the Sixth District

By Jessica LeVeen

Immigration patterns have changed significantly in the past 10 years with the immigrant population no longer residing primarily in California, Texas, and Florida. While six states still have the majority of the country's immigrant population, greater dispersion has occurred as many immigrants look to new regions in pursuing job opportunities.

The southeastern region, with the exception of Florida, has not drawn significant immigrant populations historically. However, in the past 10 years, several states within the boundaries of the Federal Reserve System's Sixth District have emerged as some of the fastest growing centers in the country.

Immigrant Populations in the Sixth District

Hispanics represent the largest number of recent immigrants to the Sixth District's states of Florida, Georgia, Tennessee, Alabama, Louisiana, and Mississippi. Across the Sixth District, the U.S. Census reports approximately 3.5 million new Hispanics to the region between 1990 and 2000 – a 90% increase.

As might be expected, the largest growth occurred in Florida with approximately 2.7 million new Hispanics between 1990 and 2000. In 2000, Hispanics represented 17%

of Florida's population, with the majority being Cuban and Puerto Rican. Relatively fewer are Mexican.

The absolute number of new Hispanic immigrants in the other Sixth District states is much lower, and Hispanics still represent a small percentage of the total state population. In 2000, Georgia had the highest concentration of Hispanics, representing 5% of the total population. In the remaining Sixth District states, Hispanics only account for approximately 2% of the total population.

Despite the lower numbers compared with Florida, the growth rates in these other states have been dramatic making the presence of Hispanic immigrants very noticeable in some communities. The 2000 Census shows that Alabama, Georgia, and Tennessee were three of the fastest growing states nationwide for Hispanics, with the population increasing in each state by 200% to 300% in the last decade. In these states, the Hispanic population is primarily from Mexico or several other Central America countries.

Hispanic Population Growth in Rural Areas

Several small rural communities have unexpectedly become regional centers for Hispanics due to an exponential population growth.

One example is Dalton, Georgia, where the proportion of Hispanics has grown from 6% of the city's population in 1990 to almost 40% in 2000. Dalton's floor-covering industry provides employment opportunities for Hispanics coming to the region, and many have chosen to settle and bring their families.

Similar growth has occurred on a smaller scale in other rural communities across the Sixth District. Hispanics have been drawn to the region primarily because of the availability of jobs – a large number of which would otherwise remain unfilled. In rural communities, many Hispanics have found jobs in meatpacking and poultry processing plants, agriculture, construction, food service, and manufacturing. While many of these jobs require lower skills and offer lower wages as a result, the industries are no less vital to the U.S. economy.

Many Hispanics who originally came to the South as migrant farm workers have since settled when they could find more permanent employment. The early Hispanic immigrants were generally young men, but increasingly, more families are relocating and creating permanent communities of Hispanic immigrants.

Many established communities now have successful stores, restaurants,

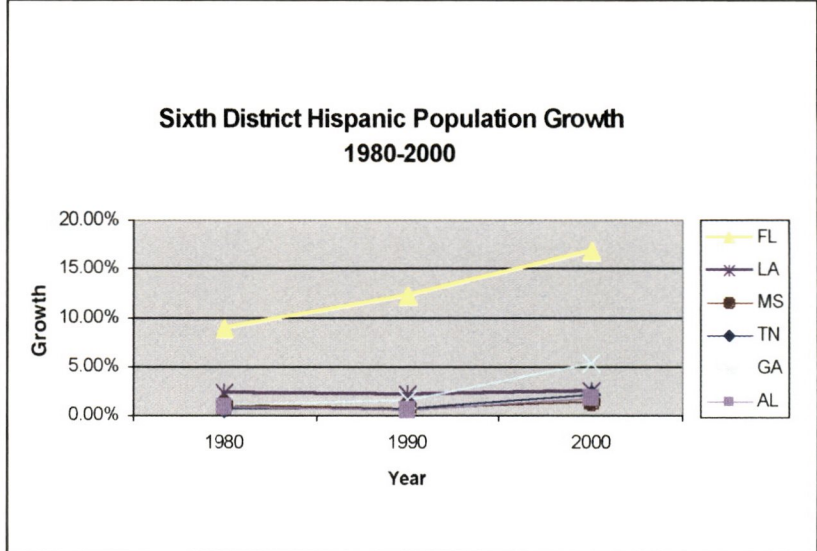
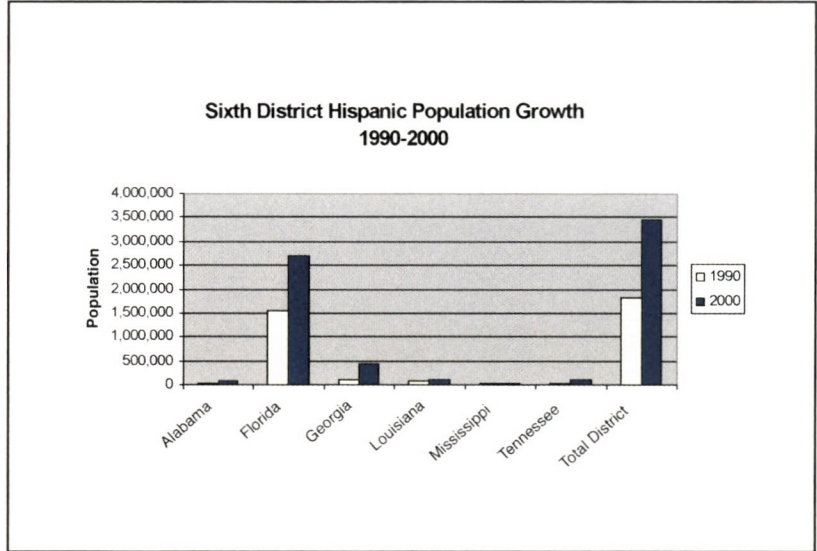
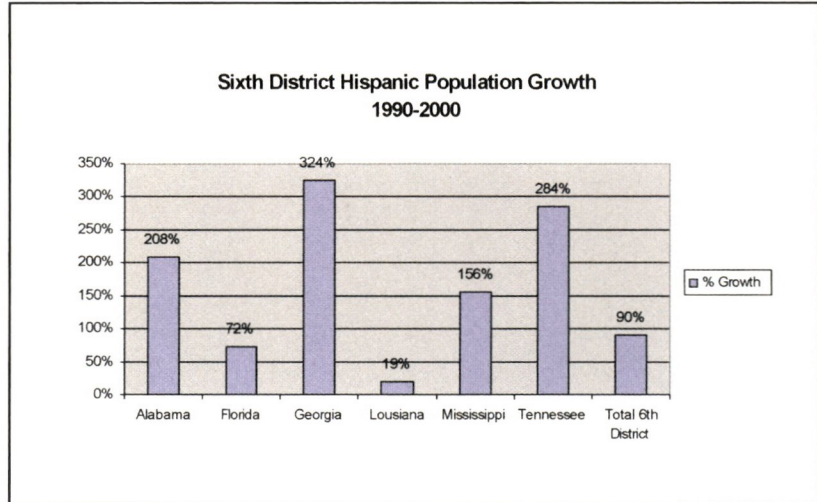
and services that cater to the Hispanic population – and provide economic development opportunities as a result. Over time, many workers have pursued such opportunities to create a better life for their family, including homeownership and other asset accumulation means. These tactics help provide further stimulus to both local and regional economies.

Adjusting to Changing Demographics

The increasing Hispanic population challenges many of the new-growth communities. These communities typically do not have the service infrastructure in place to handle the population growth. Social service providers, public schools, and local businesses are confronted by the lack of resources to serve the Hispanic community and to address the cultural and language barriers. Many Hispanics report the same challenges of the lack access to healthcare, social services, adequate housing, transportation, and banking services.

Clearly, there has been an important change in immigration patterns across the country in the past 10 years, and the growth is likely to continue as the need for workers continues in various industries.

The role of the Federal Reserve Bank of Atlanta’s Community Affairs program is to help promote effective community development lending and investment programs and fair and impartial access to credit throughout the entire District. The most effective way this occurs is by facilitating partnerships among entities such as financial institutions, nonprofits / community service providers, housing developers, and governmental agencies. The starting point is to understand the demographics and needs of our communities – both dynamic factors that often present many challenges. ♦





Community-Based Organizations in Diverse Communities

By Ana Cruz-Taura

In the wake of the 2000 Census, a growing awareness has emerged concerning significant demographic shifts across the country over the last 10 years. Communities most affected by such changes have had to face new demands with housing, employment, education, and social services.

Experience has shown that those communities that are adept at adjusting to change will have a better chance for a successful transition.

One such example in the Sixth District is the Miami-Dade County, which has a long history of managing diverse communities. Miami has several different models to show how it has leveraged its diversity while managing the myriad needs of a multicultural community. Its experiences have come with mixed success, but one essential element has been to have strong community-based organizations to help navigate the social, economic, and cultural waters.

Miami Beach CDC

The Miami Beach Community Development Corporation (MBCDC), founded in 1981, is an outstanding example of visionary

leadership in successfully adapting to growth and redevelopment within a richly diverse community. MBCDC is committed to the balance of physical environment, economic vibrancy, and social fabric to maintain quality of life and livable com-



Residents of The Jefferson, one of the first affordable housing historic building rehabs done by the Miami Beach CDC.

munities in Miami Beach. And as its mission states, the success of this community organization is due in great part to a commitment to respect, foster, and keep in balance those three components.

Originally founded by the Miami Design Preservation League, MBCDC initially undertook the economic revitalization of the Art Deco District in an area known as South Beach. Due in large part to its success at attracting economic

reinvestment to the area, MBCDC has had to face a plethora of community development changes. The most tenuous issues have been unbalanced gentrification, a lack of affordable housing, and struggles to preserve or restore valuable historic elements in neighborhoods.

Perhaps most indicative of the character of this community-based organization, and fundamental to its success and viability over the last 20 years, is that MBCDC's efforts have stayed committed to serving the needs of the diverse and changing low- and moderate-income resident population of Miami Beach. The commitment also involves a desire to promote historic preservation.

MBCDC Director Roberto Datorre says that diversity is what defines the richness and beauty of Miami Beach and Miami-Dade County. He says that the CDC strives to reflect the community it serves in its election of board members. "The general objections we've dealt with all along have had to do with the misconception of what affordable housing really is," says Datorre. "But everything we have done has been

planned in a such a way as to enhance the neighborhood. In fact, our affordable housing rehabs of historic structures have become a model for successful rehab by other investors."

Addressing Housing Needs

A significant proportion of South Beach's residents prior to the revitalization efforts was low-income elderly, and this group was the most vulnerable to rapidly escalating property taxes resulting from gentrification. Consequently, Miami Beach CDC projects have included affordable housing for the elderly.

Another strong focus has been on affordable rental property that provides local housing for much of the large service industry workforce that supports the hotels, shops, and restaurants of a highly tourist dependent economy. The CDC has also redeveloped local apartment buildings to provide affordable housing for people with AIDS.

In working to meet its objectives to promote home ownership, MBCDC has developed a well-staffed and aggressive homeownership program that counsels and subsidizes targeted low- and moderate-income homeowners to ensure the continued balance of economic diversity on South Beach.

All of these initiatives have allowed the Miami Beach CDC to reach out to meet the needs of a variety of individuals while accessing equally varied specialized funding that has been used to leverage local investment. The objectives have also attracted support from a wide and talented network of individuals, businesses, municipalities, and intermediaries.

In essence, respecting and protecting the diversity of South Beach has contributed to the depth and richness of this community that has attracted multi-national investment from indi-

viduals and businesses that are at home in a multi-layered environment.

East Little Havana CDC

Several other local CDCs have also successfully managed the urban revitalization of their Miami neighborhoods. East Little Havana CDC and Little Haiti Housing Association (LHHA) were both established to meet the needs of predominantly low- and moderate-income ethnic populations (Hispanic and Haitian, respectively). Both organizations are challenged with developing,



Aldo Olguin, resident of The Fernwood (housing for people living with AIDS), with Roberto Datorre, director of the MBCDC.

leveraging, and protecting the ethnic identity of their communities while attracting mainstream investment.

Although initially focused on affordable housing development, they both have begun to include commercial redevelopment in their objectives. Providing opportunities for existing residents to access homeownership and develop local business ownership is key to protecting the cultural atmosphere of these neighborhoods.

In targeting products and services, the East Little Havana CDC and LHHA have relied strongly on their own roots in the community. The organizations are staffed with individuals who demographically represent the targeted constituency,

thereby managing possible language and cultural barriers that often exist in working with immigrant groups.

These organizations also attract support from the larger ethnic communities that they represent, including individuals who have achieved success and would like to give something back to help others.

Maintaining Strong Ties to Community and Culture

Maintaining strong ties to the local community and culture has allowed

these three CDCs to also act as conduits for businesses trying to market services to its local constituency. Especially in the area of financial services and product marketing, being able to communicate with local residents through the community-based organizations has been crucial to financial institutions and other businesses trying to service those geographic

and demographic market segments. Community-based organizations have also assisted in finding local staff for businesses that locate in these neighborhoods.

Miami Beach CDC, East Little Havana CDC, and Little Haiti Housing Association are all examples of how a community-based organization serving a diverse market can attract and disseminate a variety of resources and information in such a way as to strengthen the viability and sustainability of multi-cultural communities – both inside and across the neighborhood boundaries. These organizations contribute to the economic growth, social mainstreaming, and cultural diversity of its residents. ♦



Banking on Alternative IDs to Reach Untapped Markets

By Jennifer Grier

The 2000 Census statistics have garnered much attention by the public and media to the changing demographics across the country.

Since 1980, the country's Hispanic population grew from 14.6 million to 35.3 million, representing a 142% increase. Some have speculated that the growth was even greater due to undercounting. Mexicans constitute the largest U.S. Hispanic ethnic group, followed by Puerto Ricans, Central Americans, Cubans, and South Americans.

This tremendous growth in the number of Hispanics in the U.S. has prompted both the public and private sectors to respond with strategies to address the unique concerns of this community. One concern of particular interest to the financial services industry is the number of Hispanic households without a bank account.

Although research has shown that Hispanics are more likely to be 'unbanked' than any other ethnic group, the National Council of La Raza reports that Hispanic purchasing power last year was \$452 billion. These numbers represent significant opportunities for financial institutions to serve this relatively untapped market.

Addressing Common Barriers

A common problem for Mexican immigrants is not having the

requisite two forms of identification, usually a social security number and driver's license or other photo ID, to open a bank account.

Consequently, these consumers are limited to using high-cost fringe financial service providers, such as checking outlets and wire services, to handle their banking needs. In addition, carrying around large sums of money makes them more vulnerable to being a victim of crime.

Many banks have responded to this issue by instituting more flexible policies that allow for other acceptable forms of identification readily accessible to Mexican immigrants.

Alternative Forms of Identification

In 1996, the Internal Revenue Service (IRS) began issuing Individual Taxpayer Identification Numbers (ITIN) for tax purposes only. ITINs are tax-processing numbers issued to individuals required to file tax returns, but who are ineligible to obtain a Social Security Number (SSN). An ITIN is a 9-digit number beginning with the number "9" and formatted like an SSN (e.g. 987-65-4321).

To obtain an ITIN, an individual must complete IRS Form W-7. Some banks include the form in their "account application packets" for their immigrant customers.

Matricula Consular

The matricula consular is an identification card issued by the Mexican consulate to individuals of Mexican nationality. The card, the size of a driver's license and bearing a photograph, contains the individual's name, date and place of birth, current address, and signature along with a hologram of the official seal of Mexico. The Mexican Consulate enhanced the security features on the card this year to deter counterfeiters and improve its acceptance.

Mexican Consulates in the United States expect to issue over a million matriculas in 2002. According to the Federal Bank of St. Louis, 61 banks, 41 states, and 800 police departments accept matriculas as official identification. SunTrust, Wachovia, and Bank of America are among the financial institutions accepting the matricula card in the Sixth District.

Fed Hosts Hispanic Roundtables

The 2000 Census shows that Alabama, Georgia, and Tennessee were three of the fastest growing states nationwide for Hispanics, with the population increasing in each state by 200% to 300% in the last decade. In these states, the Hispanic population is primarily from Mexico or several other Central America countries.

Alabama has had particularly rapid growth in its Hispanic population,

especially in Birmingham, Guntersville, and Mobile. Because of the large number of both regional and community banks in and around Birmingham, it was a logical place to hold a banking forum on this subject. Additionally, all of the large Alabama banks headquartered in Birmingham have a banking presence in one or more communities outside of Alabama with rapid Hispanic growth, thus presenting an opportunity to leverage discussions throughout the southeast.

The purpose of the banking forum, held July 8, 2002, at the Reserve Bank's Birmingham Branch, was to encourage dialogue between the local financial institutions and Hispanic community. In attendance were representatives from 13 State member banks, the Alabama Banking Department, several non-profits, and the Mexican Consulate General for the Alabama region. Topics of discussion included the use of alternative IDs, the demographic composition of the local Hispanic community, and marketing strategies to reach the Hispanic market.

U.S. Patriot Act Issues

Many bankers have raised concern about whether the U.S. Patriot Act

would prohibit banks from accepting alternate forms of identification.

In July of this year, seven federal financial regulators including the Treasury, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency jointly issued proposed regulations that will implement Section 326 of the Patriot Act. Section 326 will require financial institutions to establish minimum procedures for identifying and verifying the identity of customers seeking to open accounts.

The regulation, however, specifically states that one of the acceptable forms of identification may include "the number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard." Thus, the proposed regulations do not discourage bank acceptance of matricula consular cards.

Accessing Untapped Markets

Representatives of Community Affairs also participated in the Latino Banking Conference held in Knoxville, Tennessee in August 2002. Like in Alabama, the Latino population has increased significantly in

several East Tennessee communities in the past 10 years.

The conference was co-hosted by the East Tennessee Latino Economic Taskforce and SunTrust Bank to discuss demographic trends, banking needs, barriers to banking services, and opportunities for banks to assist in serving the Latino market. Approximately 25 financial institutions were represented.

The Federal Reserve Bank of Atlanta shared the information noted above to help address the concerns of the banks. The Community Affairs representative also provided a number of suggestions for how banks could actively pursue the Latino market.

Both of these forums in Alabama and Tennessee initiated important discussions that will hopefully lead to new banking opportunities for the Hispanic community in these and other markets in the southeast. ♦

Mike Milner and Jessica LeVeen also contributed to this article.

Matricula Consular Document

The matricula consular document is issued by the Consulates General of Mexico as proof of Mexican citizenship. The matricula is valid for five years. The front of the card contains the individual's picture, full name, date and place of birth, and U.S. address. The signatures of the Mexican consul and the card's owner appear on the back. The consulate requires specific Mexican documents, such as a birth certificate, voter registration card or military ID, before issuing the matricula.





Economic Empowerment in Florida Farmworker Community

By Janet Hamer

In the rural areas of Florida, an often overlooked group of people work and live virtually invisible to hundreds of thousands of tourists, retirees, and long time residents of the state. They pick our vegetables and citrus and harvest our ferns and other horticultural crops for low wages and little hope of achieving the "American Dream." One organization is breaking down the economic barriers for farmworkers and providing them with the opportunity to gain control over the social, political, economic and workplace issues that affect their lives.

The Farmworkers Association of Florida, Inc.

The Farmworkers Association of Florida, Inc., is a grassroots nonprofit membership-based organization with over 6,800 member families of predominantly Hispanic, Haitian, and African-American farmworkers. It was first established through the Catholic Farmworker's Ministry. The majority of members work in the vegetable, citrus, mushroom, sod, fern, and foliage industries.

Began in 1983, incorporated in 1986, and expanded statewide in 1992, the

association works in 11 counties throughout Florida with offices in Apopka, Pierson, Immokalee, and Homestead. The mission of the Farmworkers Association of Florida is to build a strong, multi-racial, economically viable organization of farmworkers in Florida who are empowered to respond to and gain control over social, political, economic, work-

Central to the goal of economic empowerment is freedom from predatory lending through access to mainstream financial institutions and financial literacy.

place, and environmental justice issues that affect their lives.

Establishing a Certified Community Development Credit Union

Central to the goal of economic empowerment is freedom from preda-

tory lending through access to mainstream financial institutions and financial literacy. The Community Trust Federal Credit Union (CTFCU), a certified community development credit union, was established by the Farmworker's Ministry in 1982 to achieve this goal.

The credit union struggled for many years due mainly to under-capitalization. In 2000, CTFCU became a certified Community Development Financial Institution. Concurrently, a collaborative effort by the FDIC and local financial institutions provided the necessary financial investment to enable the credit union to grow and better meet the needs of the community it serves. Since 2000, CTFCU has grown to over 2,300 members.

One of the most important services of the credit union is access to credit at reasonable rates. As a result, low-income members of the credit union have a financing alternative besides high-cost providers such as payday lenders, "buy here, pay here" used car lots, and check cashing services – many

of which tend to exhibit predatory lending characteristics.

Financing from the credit union not only provides a much more reasonable access to credit, the process teaches valuable lessons in financial education. Borrowers must have savings at the credit union to be eligible for loans, with the amount of the loan dependent on the amount of money in their savings account. When a loan is paid off, the borrower may apply for increasingly larger loans, a pathway to bigger goals and an opportunity to build assets for the future. Furthermore, the relationship provides the ability to establish a positive credit history, essential to future credit needs such as the purchase of a home.

Pennies for Power Youth Credit Union

The Farmworkers Association, jointly working with the Community Trust Federal Credit Union, the Office of Farmworker's Ministry, Notre Dame Americorps, and Orange County Citizen's Commission for Children, has taken its commitment to economic empowerment one step further –

the establishment of a children's credit union.

Pennies for Power Youth Credit Union, an entity within the parent credit union, has a 15-member board of directors composed of the children of adult members. While the adults take an active role in advising the credit union's officers, the children make all of the decisions.

Pennies for Power Youth Credit Union is the only one of its type in Florida, with only about a dozen nationwide. The credit union provides real life lessons in financial literacy and creates future "bankable customers." It is particularly beneficial for the children of low-income farmworkers because it breaks down one of the major barriers to banking and financial empowerment: trust in mainstream financial institutions.

Financial Literacy Is Key Component

The key to economic empowerment is access to financial services and financial education to make wise choices. The Farmworkers Association and the Community Trust Federal Credit Union are committed to providing this

to their constituents. Through these efforts, a group of Florida farmworkers is being given the opportunity to achieve the "American Dream" for themselves and their children.

The Federal Reserve Bank of Atlanta Community Affairs Program continues to work with this grassroots organization and others throughout the District to identify strategies to create and sustain financial literacy programs to serve low- and moderate-income citizens. The greatest challenge continues to be the identification and sustainability of funding sources to deliver these much-needed programs.

Through the efforts of the Community Affairs Program at the Jacksonville Branch, Wachovia Bank has selected the Farmworkers Association of Florida to receive funding to support the implementation of the Spanish version of the MoneySmart curriculum. MoneySmart is a training program developed by the FDIC to help adults outside the financial mainstream enhance their money skills and create positive banking relationships. ♦





Georgia's Anti-Predatory Lending Law

The Georgia Fair Lending Act was passed on April 22, 2002, and became effective on October 1, 2002. This new legislation is noteworthy because it is considered to be the most restrictive in the country for home mortgage loans and imposes severe penalties for violations. The following is an excerpt of a summary of the Georgia Fair Lending Act (GAFLA) prepared by the Georgia Department of Banking & Finance for informational purposes and should not be construed as legal advice.

Overview of Legislation

The Georgia Fair Lending Act imposes liability on loan brokers, loan servicers, and loan purchasers or assignees. All residential mortgage lenders, regardless of loan type, credit quality, type of collateral, loan pricing or office location, are affected as are mortgage brokers, loan servicers, and assignees.

The Act places different restrictions on "High Cost Loans," on certain "Covered Loans," and in general on all "Home Loans." If a lender makes even one of these loans, the provisions of the Act will apply. The law is concerned with loans that are secured by a borrower's principal dwelling located on real estate in Georgia. It includes manufactured homes if they are located on Georgia real estate that is part of the security for the loan.

For all home loans, various practices are outlawed such as financing credit insurance and excessive late charges. In particular for "High Cost Loans," the entire lending procedure will be different, including additional disclosures, need for borrower counseling, restricted terms and conditions, additional foreclosure

notices, and an expanded ability to cure default.

Home Loan Definition

A "home loan" is –

- A loan (including an open-end loan)



not exceeding the Fannie Mae single-family conforming loan size (\$300,700 as of October 1, 2002),

- Secured by real estate in Georgia where it is or will be located, including a manufactured home,
 - Designed principally for 1-4 family occupancy, **and**
 - Occupied by the borrower as the borrower's principal dwelling.

Home loans do not include reverse mortgage loans, temporary financing for initial construction on land owned by the borrower (i.e., bridge financing), or business, agricultural or commercial purpose loans.

Home Loan Prohibitions

Based on the definition of "home loan," prohibitions and limitations for home loans are:

- No financing of credit insurance premiums or debt cancellation coverage charges.
- No creditor or servicer is permitted to encourage default on an existing loan or other debt pending closing a home loan that refinances the existing loan or debt.

Subprime Standards

Georgia's approach imposes tougher penalties than previous laws

	Scope	Penalties
Georgia 2002	All owner-occupied residential loans under \$300,700	<ul style="list-style-type: none"> • Refund two times interest paid • Loan can be voided during first 5 years of maturity for violations • Criminal charges
North Carolina 2000	All loans under \$300,700 excluding credit lines	<ul style="list-style-type: none"> • Refund two times interest paid or pay triple damages
U.S. Home Ownership And Equity Protection Act (HOEPA) 1994 Source: American Banker	All residential loans excluding purchase loans and lines of credit	<ul style="list-style-type: none"> • Refund finance charges including points, some fees, and interest paid • Loan can be voided during the first 3 years of maturity for violations

- No fee is permitted for providing loan payoff quote, except a \$10.00 processing fee for providing the information by fax or within 60 days of fulfillment of a previous request.
- Late payment fees must be authorized in the loan documents and are limited to 5% of the amount of the late payment (past due 10 days or more), and one late charge per late payment.

Covered Home Loan and "Flipping" Restrictions

"Flipping" a loan is prohibited, which is defined as –

- A creditor makes a covered home loan to a borrower that refinances an existing home loan consummated within the prior 5 years, and
- The loan does not provide a reasonable, tangible net benefit to the borrower considering all of the circumstances, or
- The existing loan is a "special mortgage" bearing a below-market

interest rate or with nonstandard payment terms beneficial to the borrower.

High Cost Home Loans

Home loans in which the loan terms meet or exceed one of the "thresholds," defined as:

The total loan points and fees (except for 2 bona fide discount points) exceed –

If the total loan amount is \$20,000 or more,

- 5% of the total loan amount, or

If the total loan amount is less than \$20,000, the lesser of:

- 8% of the total loan amount, or \$1,000.

High cost loans are subject to 15 limitations and prohibited practices outlined in Section 7-6A-5 of the Act.

To read the entire Act or the GAFLA's questions and answers regarding the Act, go to the GAFLA Resources page of the Department's website at: <http://www.state.ga.us/dbf/GAFLAresources.html>. ♦

Editor's Note:

Fannie Mae and Freddie Mac have announced plans to leave the "high-cost loan" market in Georgia. Fannie Mae reported that it had decided to stop purchasing any loans that qualify as high-cost home loans under the Georgia Fair Lending Act starting on Jan. 1, 2003. Fannie Mae will conduct additional quality assurance reviews of mortgages secured by properties in Georgia and will require "immediate" repurchase of those loans determined to be high-cost home loans under the GFLA, or other federal, state or local laws. Freddie Mac stopped purchasing high-cost home loans from Georgia in November 2002.

Federal Reserve System

SAVE THE DATE



Sustainable Community Development: What Works, What Doesn't and Why

The Community Affairs Officers of the Federal Reserve System are jointly sponsoring their biennial research conference, Sustainable Community Development: What Works, What Doesn't and Why. The conference will bring together a diverse audience from academia, financial institutions, community organizations, foundations and government to learn about research in the community development arena.

March 27-28, 2003 • Capitol Hilton Hotel • Washington, D.C.

Among the papers to be presented, the following are anticipated topics:

- Identification of appropriate and reliable data to be used in evaluation of community economic development programs
- Rural/urban imbalances and the impact of migration and demographic trends on community development
- Influence of social and private capital on community development
- Evaluation of counseling and risk intervention strategies
- Tools and techniques for community development program evaluation
- Evaluation of the effectiveness of financial literacy programs

For more information about the conference, contact:

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